

Message Text

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E.O. 11652: GDS

TAGS: ENRG

SUBJECT: WORKING PAPER ON PROPOSED REGIME FOR CONSIDERATION
OF POSSIBLE EXCEPTIONS FROM MSP

PLEASE PASS THE FOLLOWING WORKING PAPER TO PETER KELLY
OF THE IEA SECRETARIAT:

1. IF THE GOVERNING BOARD DECIDES THAT THERE SHOULD BE
EXCEPTIONS TO THE MSP, DISTINCTION SHOULD BE MADE BETWEEN
(1) " NECESSARY" EXCEPTIONS, I.E., LEGAL AND BINDING
TREATY COMMITMENTS SUCH AS THOSE GOVERNING OIL PRODUCED
AND TRADED AMONG AND BETWEEN PARTICIPATING COUNTRIES
WHO ARE MEMBERS OF THE SAME CUSTOMS UNIONS AND FREE
TRADE AREAS; AND (2) "POSSIBLE" EXCEPTIONS WHICH REFLECT
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INDIVIDUAL COUNTRY'S INTERESTS. THIS WORKING PAPER
ADDRESSES THE LATTER TYPE OF EXCEPTIONS.

2. RECOGNIZING THE INTEREST OF SOME PARTICIPATING

COUNTRIES IN UNDERTAKING INVESTMENTS IN OIL PRODUCTION OUTSIDE THE IEA AREA AND THAT THE IEA MAY WISH TO TAKE ACCOUNT OF THESE INTERESTS IN ESTABLISHING AN MSP SYSTEM, THE SLT MIGHT CONSIDER POSSIBLE PROCESSES FOR GRANTING LIMITED EXCEPTIONS TO THE MSP. ANY PROCESS ADOPTED COULD INCORPORATE CERTAIN CRITERIA AND BE SUBJECT TO CONTROL IN ORDER TO MAINTAIN THE INTEGRITY OF THE SYSTEM.

3. THE SECRETARIAT SUGGESTS, AS A WORKING HYPOTHESIS, THAT THE GOVERNING BOARD REVIEW ALL CLAIMS FOR EXCEPTIONS FROM THE MSP ON A CASE-BY-CASE BASIS WITH FINAL APPROVAL REQUIRING A BLANK VOTE.

4. IN GRANTING EXCEPTIONS, THE GOVERNING BOARD WOULD REVIEW EACH APPLICATION AGAINST CERTAIN CRITERIA AMONG WHICH MIGHT BE INCLUDED THE FOLLOWING:

(A) THE IMPORTING COUNTRY IS REQUIRED TO EXHAUST ALL POSSIBILITIES OF IMPORTING OIL FROM IEA COUNTRIES BEFORE CLAIMING EXCEPTIONS FOR NON-IEA OIL.

(B) ONLY OIL PRODUCED WHICH IS DIRECTLY ATTRIBUTABLE TO NEW INVESTMENT (AFTER THE ADOPTION OF THE LONG-TERM PROGRAM) MADE BY AN IEA COUNTRY IN A NON-IEA COUNTRY WOULD BE ELIGIBLE FOR EXCEPTION FORM THE MSP.

(C) EXCEPTIONS ARE LIMITED TO OIL COMING FROM COUNTRIES BEHAVING IN A NON-CARTEL LIKE FASHION, I.E., WHICH ARE NOT RESTRICTING PRODUCTION FOR THE PURPOSES OF MAINTAINING PRICE.

(D) NO MORE THAN BLANK PERCENT OF TOTAL OIL IMPORTS OF THE IMPORTING COUNTRY CAN BE EXEMPTED.

5. PLEASE FEEL FREE TO MODIFY OR CHANGE THE ABOVE LANGUAGE AS DEEMED APPROPRIATE BY THE SECRETARIAT.
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